

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 12/03/2013

GAIN Report Number: SP1322

Post: Madrid

Spain

Retail Foods

2013

Approved By:

Robert Hanson, Agricultural Counselor

Prepared By:

Arantxa Medina, Marketing and Management Specialist

Report Highlights:

In Fiscal Year (FY) 2013, Spain imported \$1.88 billion of agricultural, fish and forest products from the United States, up 74 percent compared to the previous year and the highest import figure on record. Despite the difficult economic situation that continues to squeeze Spain's retail food sector, retailers are adapting to the new reality, adjusting prices and reducing their margins to stay competitive and in business. As the consolidation and maturity of the retail food industry continues, medium and long-term opportunities continue to arise for U.S. exporters.

Table of Contents:

INDEX

SECTION I. MARKET SUMMARY

SECTION II. ROAD MAP FOR MARKET ENTRY

- A. Hypermarket, Supermarkets and Hard Discount Stores
- B. Convenience Stores and Discount Stores
- C. Traditional Markets

SECTION III. COMPETITION

SECTION IV. BEST PRODUCT PROSPECTS

SECTION V. POST CONTACT AND FURTHER INFORMATION

Exchange rates:

Average exchange rate used in this report, unless otherwise specified:

Calendar Year 2009: US Dollar 1 = 0.72 Euros

Calendar Year 2010: US Dollar 1 = 0.75 Euros

Calendar Year 2011: US Dollar 1 = 0.72 Euros

Calendar Year 2012: US Dollar 1 = 0.78 Euros

(Source: The Federal Bank of New York and/or the International Monetary Fund)

SECTION I. MARKET SUMMARY

Economic Trends

The medium-term outlook for the Spanish economy remains uncertain, but 2013 is expected to end as another difficult year due to the continuation of the economic crisis. According to the latest data published by the International Monetary Fund, the economic recession is expected to drag down the Spanish economy throughout 2013. In 2014 Spain is expected to return to positive economic growth, however at a very low rate.

Spain's economy dropped again in 2012 as GDP declined by more than 1 percent. The unsustainable unemployment figures expected for 2013 and the country's high public deficit resulting in higher income tax and VAT increase during 2012 is hardly hitting the domestic economy. Spain's recovery has been so far one of the weakest in the European Union.

ECONOMIC TRENDS	2009	2010	2011	2012	2013*
Real GDP Growth Rate	-3.8	-0.2	0.1	-1.6	-1.3f
Inflation (%)	-0.2	2.0	3.1	2.4	2.0
Unemployment (%)	18.0	20.1	21.7	25.0	27.3
GDP per Capita (€)	24,200	24,200	24,300	24,400	24,500

Source: Eurostat (www.ec.europa.eu/eurostat)

(*) Estimates

The financial difficulty of the Spanish economy has been a critical factor for the retail sector and it will likely continue to be so in the coming year. The increase of the VAT, high unemployment and wage cuts have directly affected the ever decreasing average disposable income thus leading to the stagnation of domestic demand. Therefore, price has become the most important factor in purchasing decisions.

Throughout 2013, household consumption of food and beverages continued to show signs of weakness due to the loss of purchasing power and falling disposable income. Also, the VAT increase (see below) which began on September 1, 2012 contributed to consolidate the stagnation of food expenditure at home.

Supermarkets continue to be the most important and powerful sales channel, to the detriment of hypermarkets. The economic crisis has forced families to reduce their visits to large shopping areas outside the cities in favor of closer and more affordable stores. Supermarkets are able to compete both with hypermarkets, as they offer proximity as well as a wide variety of products, and with hard discounters, as they are able to compete on price offering good quality. In this category, Mercadona continues to be the leading retailer, accounting for 18.6 percent of total retail value sales in 2012. As expected, discounters continue to largely benefit from the current situation and are adjusting to the new reality, offering a wider range of products, selling local brands and opening stores in the center of the cities. Their total sales increased 1.7 percent in 2012 compared to 2011 (see table 2).

Consumption Trends

Table 1. Consumption of Food and Beverages at Home

PRODUCTS	Quantity (million Kg/Liter)		
	Jul 2011- Jul 2012	Jul 2012- Jul 2013	% change 13/12
Meat	2,440.3	2,445.1	0.2
Seafood	1,220.6	1,225.7	0.4
Fresh Fruits	4,770.0	4,698.5	(1.5)
Fresh Vegetables and Fresh Potatoes	3,930.1	3,977.5	1.2
Bread	1,647.1	1,687.0	2.4
Oil	608.2	597.9	(1.7)
Eggs	380.3	388.5	2.2
Milk and Dairy Products	5,239.5	5,240.8	0.0
Wine and Sparkling Wine	443.4	428.2	(3.4)
Bottled Water	2,375.3	2,387.1	0.5
Spirits	42.8	43.2	1.0
Refreshing and sparkling drinks	2,147.3	2,111.4	(1.7)
All Other Products	5,299.2	5,408.0	2.1
TOTAL	30,554.2	30,639.1	0.3

Source: Spanish Ministry of Agriculture, Food, and Environmental Affairs
(www.magrama.gob.es)

The almost insignificant increase in meat consumption is led by the consumption of poultry and pork. Total milk and dairy products consumption remains unchanged. The consumption of eggs and bread increase considerably compared to all the other categories. Wine, sparkling wine and other beverage purchases declined notably. The total average increase shows the virtually zero increase in consumption in Spanish homes.

VAT Increase

On September 1, 2012, the VAT levied on basic food products increased. This measure had a very negative effect on value sales through grocery retailers in 2012. Although products designated as essential by the government are taxed at the reduced VAT rate of 4 percent, the bulk of products sold through the grocery channel are now subject to a 10 percent rate of VAT, 25 percent higher than the previous 8 percent. One year after the unpopular measure was implemented, as occurred in previous VAT increases, retailers tend to assume as much as they can the burden of the tax increase at the expense of their profit margin, maintaining unit prices in order to avoid suffering further declines in their already shrinking volume sales.

In November 2013, the president of the Government of Spain announced that they have no intention to modify the VAT, at least in the short/medium term.

Consumer Confidence

According to the Consumer Confidence Index (CCI) published in September 2013 by the Centre for Sociological Research (CIS), consumer confidence shows some improvement compared to last year. During the third quarter 2012, this index reached lowest historical levels. Since then until the third quarter 2013 this index has seen a sustained recovery.

The CCI is monthly assessment of recent developments and expectations of Spanish consumers related to family finances and employment used to anticipate their consumption decisions. The economic expectations, the rate of unemployment, available family incomes and inflation are important factors affecting this index and affecting consumer spending. According to the latest survey, consumers are slowly recovering confidence.

New measures to improve retail sales and competition

The Government of Spain's Program of Reforms for the second half of 2012 included measures for the liberalization and increase flexibility of the retail trade. The objective was to increase freedom and efficiency in the retail sector and create new instruments for effective competition. Two main measures include:

- **Liberalization of trading hours:** The minimum number of opening hours per week was increased from 72 to 90 and the minimum number of public holidays from 8 to 10

- **Liberalization of promotional sales activities:** This measure increased flexibility for the current regime, eliminating restrictions and incompatibilities in such promotional activities as sales periods. In July 2012, Madrid was the first region in Spain to adopt these measures and take them one step further. Now, retailers may open any day of the year at any time. Previously, large retailers were restricted from opening on Sundays and certain holidays.

Though it is still soon to determine the results of these measures with the data available, total retail sales in 2012 proved that this measure might not have been as powerful as expected. The final figures for 2013 will be more telling on the efficiency of the measure. Opinions amongst the different associations (consumers, distributors, retailers, etc) differ on the results of the above mentioned program.

Tourism

Tourism, particularly foreign tourism, is one of the few sectors bringing optimism to the Spanish economy. According to the latest statistics published by the Ministry of Industry, Energy and Tourism, Spain received only in August 2013, 8.3 million foreign visitors, 7.1 percent more than the same month in 2012. From January to August 2013, the number of visitors reached 42.3 million, a year-on-year increase of 4.5 percent. Only in the month of August 2013, foreign tourists spent 8.3 billion Euros, a

12.2 percent increase compared to August 2012.

The average expenditure per tourist year-on-year rose by 4.7 percent, to 997 Euros; average daily expenditure was 101 Euros, up 2.8 percent. The increase in tourism expenditure from January to August 2013 stands at 7.2 percent, reaching 40.5 billion Euros for the first time ever.

The markets that saw the main growth were the Nordic countries, Russia, the United Kingdom, France and Germany. Catalonia, the Balearic Islands, the Canary Islands and Andalucia were the leading tourist destinations in the first eight months of the current year.

This is good news for the HRI sector, since foreign demand compensates for the decline in national demand, due to the macroeconomic uncertainty and the high unemployment rate. National tourism demand has decreased both expenditure and demand of touristic services, including food and drinks. The number of trips by residents went down 11.2 percent year-on-year according to the estimated data for May 2013.

Transatlantic Trade and Investment Partnership (TTIP)

The Transatlantic Trade and Investment Partnership (TTIP) is a trade agreement currently being negotiated between the European Union and the United States. Negotiations started in July 2013. The TTIP will be an ambitious, comprehensive trade and investment agreement that will offer benefits to both sides, increasing trade, creating jobs and promoting international competitiveness. Bilateral food and agricultural trade between the United States and Spain is nearly 3 billion dollars, with the balance of trade being fairly even in recent years.

Some important issues on the table relate to market access, regulatory issues and non-tariff barriers and trade rules. The impact on trade will depend on the degree of recognition of both partners. A wide and ambitious agreement will likely benefit both sides and increase agri-food trade in the coming years.

Retail Trends

The unfavorable economic situation is speeding up the consolidation process of the retail food sector in Spain. Medium-sized supermarkets located in city centers are taking market share both from traditional shops and out-of-town hypermarkets. The main three retail groups (Mercadona, Carrefour and Eroski) now account for 32 percent of market share. This competitive environment is likely to create good opportunities for U.S. food exporters. Supermarkets are searching for new sources for their private label brands and, in this sense, U.S. products might be more competitive due to the favorable exchange rate.

Spain's retail food market is, however, still very diversified. Hypermarkets/supermarkets (more than 66 percent of total food sales), convenience stores, major discount stores and specialized stores coexist with the traditional corner grocery stores and open-air markets, even though the total number of retail outlets has decreased significantly in the last years (see table 4).

The high unemployment rate is resulting in a polarization of Spanish society. There are two types of

consumers: those who still have a job and continue to benefit from lower prices and the option to purchase certain products at substantial discounts, especially gourmet and premium product lines. On the other hand, there are many households in which all or at least some members are unemployed and which are increasingly paying attention to unit price as the key variable when making their purchasing decisions.

Amongst those able to maintain their purchasing power, Spanish consumers are willing to experiment with new tastes and products even though the Mediterranean diet remains the traditional diet.

Consumers are constantly presented new food product choices that trend towards more novelties and specialties, more “natural” and delicatessen foods, more prepared and ready to eat products favoring convenience. Consumers are also increasingly responding to high-quality foods in attractive packaging.

A new type of consumer is arising and more consumers are becoming what are known as ‘hybrid consumers’. These are customers who buy less medium quality products and tend to buy the cheaper options of basic daily products. On the other hand, with the money saved, these consumers like to opt for premium/gourmet products that have emotional or social importance for them. That is, consumers are becoming polarized in their decision making.

Advertising, personal foreign travel, foreign visitors, and immigrants are important factors that expose consumers to fashionable trends, new products, and new consumption habits. Ethnic foods (Asian, Latin American, etc) continue to do well with consumers.

Table 2. Sales in Grocery Retailers by Channel – Value

	2009	2010	2011	2012
<i>Modern Grocery Retailers</i>	95,278.89	92,640.27	98,318.61	91,515.77
- Convenience Stores	1,972.50	1,759.20	1,733.47	1,548.97
- Discounters	9,337.50	9,275.73	9,602.78	9,015.38
- Forecourt Retailers	1,736.67	1,586.00	1,563.19	1,401.92
-- Chained Forecourt Retailers	1,680.42	1,535.73	1,513.89	1,359.36
-- Independent Forecourt Retailers	56.25	50.27	49.17	42.44
- Hypermarkets	20,403.47	19,773.47	20,757.22	19,191.15
- Supermarkets	61,828.75	60,245.87	64,662.08	60,358.46
<i>Traditional Grocery Retailers</i>	35,533.61	33,034.27	33,117.50	29,385.51
- Food/Drink/Tobacco Specialists	29,634.03	27,652.00	27,652.08	24,555.00
- Independent Small Grocers	2,762.92	2,485.33	2,493.06	2,163.59
- Other Grocery Retailers	3,136.81	2,896.93	2,972.36	2,666.92
Total Grocery Retailers	130,812.50	125,674.53	131,436.11	120,901.28

Source: Euromonitor

Unit: Million USD

Table 3. Grocery Retailers Company Shares (% Value)

	2009	2010	2011	2012
Mercadona SA	15.3	16.2	17.4	18.6
Centros Comerciales Carrefour SA	7.0	6.9	8.2	8.3
Eroski, Grupo	6.4	6.2	5.5	5.2
Dia SA	4.3	4.3	4.4	4.6
Alcampo SA	4.0	4.3	4.2	4.5
El Corte Inglés SA	3.5	3.4	3.0	2.9
Lidl Supermercados SAU	2.4	2.6	2.4	2.3
Consum, Sociedad Cooperativa Ltda	1.7	1.8	1.9	1.8
Spar Española SA	1.2	1.1	1.1	1.1
Dinosol Supermercados SL (Grupo)	1.4	1.3	1.4	0.9
Grupo el Arbol Distribución y Supermercados SA	0.8	0.8	0.9	0.9
Supermercados Sabeco SA	1.1	1.0	0.9	0.8
Repsol YPF SA	0.7	0.7	0.7	0.6
Aldi Supermercados SL	0.5	0.5	0.5	0.6
E Leclerc Grupo	0.3	0.4	0.5	0.6
Bon Preu SA (Grupo)	0.3	0.3	0.3	0.3
Congelats Reunits SAU	0.2	0.2	0.2	0.2
Promotora de Minimercados SA	0.2	0.2	0.2	0.2
Galp Energía España SA	0.1	0.1	0.1	0.1
Disa Peninsula SLU	0.1	0.1	0.1	0.1
ITM Ibérica SA	0.2	-	-	-
Others	48.4	47.6	46.2	45.5
Total	100.0	100.0	100.0	100.0

Source: Euromonitor

Table 4. Store-based Retailing Outlets by Channel (Units)

	2007	2008	2009	2010	2011	2012
Grocery Retailers	161,218.0	159,807.0	157,832.0	155,033.0	150,517.0	144,568.0
Non-Grocery Retailers	392,421.0	394,069.0	386,990.0	380,318.0	372,543.0	363,807.0
Total Store-based Retailing	553,639.0	553,876.0	544,822.0	535,351.0	523,060.0	508,375.0

Source: Euromonitor

Product Trends

Spanish consumers are increasingly health conscious. Naturally healthy and free-from products are more widely available in supermarkets and specialized stores. One of the most interesting and promising categories are healthy products indicated for food intolerances. According to Euromonitor, in 2012,

food intolerance products sales grew 10 percent in value to reach \$229.5 million. In this sense, according to the same source, lactose-free food is the most dynamic category of 2012, posting a rise in value of 17 percent to reach \$140 million. Euromonitor expects that food intolerance will record sales of \$286 million in 2017. The main threat to the growth of these products would be the economic situation.

Table 5. Sales of Food Intolerance by Category (Value)

	2009	2010	2011	2012
Diabetic Food	22.5	21.5	22.2	20.4
- Diabetic Bakery Products	9.6	9.2	9.7	9.1
- Diabetic Confectionery	12.5	11.9	11.9	10.8
-- Diabetic Chocolate Confectionery	12.5	11.9	11.9	10.8
-- Diabetic Sugar-free Confectionery	-	-	-	-
- Diabetic Spreads excl Honey	0.4	0.5	0.6	0.5
Gluten-free Food	52.2	51.3	54.6	51.5
- Gluten-Free Bakery Products	17.4	16.8	17.4	16.4
- Gluten-free Baby Food	30.8	30.7	32.6	30.6
-- Gluten Free Dried Baby Food	9.6	9.3	9.9	9.2
-- Gluten Free Prepared Baby Food	16.9	17.1	18.3	17.3
-- Gluten Free Other Baby Food	4.2	4.1	4.4	4.2
- Gluten-free Pasta	4.2	4	4.6	4.5
- Gluten-free Ready Meals	-	-	-	-
Lactose-free Food	92.6	103.3	129.7	140.0
- Lactose-Free Dairy	80.4	91.1	116.5	127.1
- Lactose-free Ice Cream	8.9	8.9	9.6	9.5
- Lactose Free Baby Food	3.3	3.3	3.6	3.5
-- Lactose Free Special Baby Milk Formula	3.3	3.3	3.6	3.5

Source: Euromonitor

Unit: Million USD

Another interesting market niche is naturally healthy packaged food. In 2012, naturally healthy packaged food sales value increased a skinny 1 percent, to reach \$3,229 million. The trend towards healthy eating is the main factor positively influencing naturally healthy packaged food in 2012. As an example, the highest growth is seen in soy-based frozen meat substitutes, with a value sales rise of 21 percent in 2012.

Table 6. Sales of Naturally Healthy Packaged Food by Category (Value)

	2009	2010	2011	2012
NH High Fibre Food	690.1	666.9	696.1	651.5
- NH High Fibre Bakery Products	672.9	650.3	678.2	634.5
-- NH High Fibre Biscuits	110.3	106.8	112.5	107.1
-- NH High Fibre Bread	497.9	479.5	497.9	463.7
-- NH High Fibre Breakfast Cereals	64.6	64.0	67.8	63.7
- NH High Fibre Noodles	-	-	-	-
- NH High Fibre Pasta	5.6	5.2	6.0	5.8
- NH High Fibre Rice	11.7	11.5	12.1	11.3
NH Honey	134.7	126.1	126.4	112.2
NH Oils and Fats	1,766.5	1,697.6	1,756.4	1,618.1
- NH Olive Oil	1,766.5	1,697.6	1,755.8	1,617.4
- NH Regular Spreadable Oils and Fats	-	-	0.7	0.6
NH Snack Bars	21.8	21.1	22.4	21.0
- NH Fruit Bars	-	-	-	-
- NH Granola/Muesli Bars	21.8	21.1	22.4	21.0
NH Sour Milk Products	-	-	-	-
NH Soy Products	255.0	273.1	296.9	280.4
- NH Soy Drinks	10.3	11.3	13.3	13.7
- NH Soy-based Dairy Alternatives	243.9	260.7	282.2	265.1
-- NH Soy Milk	217.9	223.3	237.5	218.7
-- NH Soy-based Chilled and Shelf Stable Desserts	9.0	8.4	8.1	7.1
-- NH Soy-based Yoghurt	16.8	28.9	36.7	39.4
- NH Soy-based Meat Alternatives	0.8	1.1	1.4	1.5
-- NH Soy-based Frozen Meat Substitutes	0.4	0.5	0.8	0.9
-- NH Soy-based Ready Meals	0.4	0.5	0.6	0.6

Source: Euromonitor

Unit: Million USD

Shopping habits

Changing shopping habits are harming hypermarkets and, to a lesser extent, discounters. Consumers are changing some long-established habits due to their new economic reality. Consumers are visiting markets and supermarkets more often, once or several times a week, and spending less in each visit. As opposed to doing their shopping in one major monthly trip as they did before. This is benefiting mid-size urban supermarkets in detriment of hypermarkets and big supermarkets outside the cities.

It is also interesting to note that despite the increasing price sensitiveness of Spanish consumers, hard discounters are also losing some market share. This is mainly because supermarkets, primarily Mercadona and basic lines of other supermarkets, such as Carrefour, Eroski or Alcampo, are offering

competitive prices for better quality products. As a result of this purchase pattern, the number of medium-sized (1,000-2,500 square meters) supermarkets is growing. Consumers find this size comfortable and the range of products offered is wide enough to meet all the needs without having to drive to the outskirts. It also avoids unnecessary non-food purchases.

However, the main factors affecting consumer decision to elect where to purchase food products are:

- Proximity;
- Price (excluding sale promotions);
- Quality;
- Variety of products offered;
- Attention given to the client (including through loyalty programs);
- Sale promotions;
- Variety of brands;
- Quick purchasing;
- Parking;
- Operating hours.

Information for U.S. exporters

U.S. processed food exporters now face even greater challenges in the Spanish market, because of the EU labeling and traceability regulations. Any product that contains genetically modified ingredients must be labeled so that the consumer can distinguish the product. Due to the bad public perception of genetically modified products, retailers are reluctant to purchase these processed products or food ingredients for processing.

In addition, acceptable colorings and additives may differ from those used to produce product for the U.S. market. For more information on food additives regulation please see:

<http://www.usda-eu.org/trade-with-the-eu/eu-import-rules/food-additives>

Spain generally applies EU rules and regulations. However, there are subtleties that exporters should learn about before exporting to the Spanish market. For more information, we invite potential U.S. exporters to contact the Office of Agricultural Affairs in Madrid at AgMadrid@fas.usda.gov for additional sector-specific information.

In general terms, U.S. exporters already exporting to other EU Member States will likely be meeting most of the requirements for exporting into the Spanish market. The U.S. exporter needs to make contact with an importer and/or distributor for his product. Typically, food products are imported directly by an importer, broker and/or wholesaler or distributor.

The following documents are required for ocean or air cargo shipments of foodstuffs to Spain:

- Bill of Lading and/or Airway Bill
- Commercial Invoice
- Phytosanitary Certificate and/or Health Certificate when applicable
 - If your product is or contains plant or animal products, it will require a phytosanitary or health certificate issued by the competent U.S. authority. Also, if you are exporting animal products, your plant has to be approved to export into the EU.

- Import Certificate
 - Most food products require an Import Certificate issued by the competent Spanish authority. However, the Import Certificate is obtained by either the Spanish importer and/or the agent involved in the business and is intended for tariff classification purposes.

For more information on food standards and regulations, please consult the Food and Agricultural Import Regulations and Standard Report for Spain and the EU-27 available at: <http://www.usda-eu.org/trade-with-the-eu/eu-import-rules/fairs-reports>

Also, please check the U.S. Mission to the European Union webpage at <http://www.usda-eu.org>, which will guide you on exporting into the EU.

Table 7. Advantages and Challenges for US Products in the Spanish Market

Advantages	Challenges
Spain's food industry relies on imported ingredients, many from the U.S.	Spain's financial situation, two main effects on retail: sinking domestic demand, lack of credit for companies.
Tourism is a strong and ever-growing sector that provides retail, food and drink sales.	Lack of consumer awareness of U.S. brands and varieties of U.S. products.
Good image and reputation of U.S. products.	Competition from neighboring EU countries, where tastes and traditional products may be well known.
Good network of agents and importers to help get product into the market.	U.S. exports face higher transportation costs and difficulties in shipping mixed or smaller container loads.
Consumers are increasingly health conscious, demanding products not sufficiently present in the market.	EU labeling, traceability, and packaging laws.
Distribution structure is modern and many companies cover both Spain and Portugal.	High import tariffs and import regulations impose a price disadvantage on non-EU based companies.
Food products in the market are becoming more diversified. Consumers are becoming more open, creating opportunities for new and foreign products.	High marketing costs (advertising, discounts, etc.)

SECTION II. ROAD MAP FOR MARKET ENTRY

A. SUPERSTORES, SUPERMARKETS, HYPER MARKETS OR SUPER CENTERS, CLUB AND WAREHOUSE OUTLETS

Table 8. Retail Outlets – Company Profiles

Retail Organizations and Outlet Types	Ownership (Local or Foreign)	Sales 2012 \$ Million	Number of Own Outlets/ Associated Outlets	Location	Type of Purchasing Agent
MERCADONA, S.A. Supermarket	Spanish	22,465	1,411/0	Nationwide	Importer, Direct
GRUPO CARREFOUR, S.A. Supermarkets, Hypermarkets	French	10,295	285/100	Nationwide	Importer, Direct
GRUPO EROSKI Supermarket	Spanish	7,553	1,103/447	Nationwide	Importer, Direct
DISTRIBUIDORA INTERNACIONAL DE ALIMENTACION, S.A. (DIA) Hard Discount	French	5,535	1,615/1,310	Nationwide	Importer, Direct
ALCAMPO, S.A. - GRUPO Hypermarkets	French	4,545	55/0	Nationwide	Importer, Direct
LIDL SUPERMERCADOS, S.A.U. Hard Discount	German	3,077	526/0	Nationwide	Importer, Direct
HIPERCOR, S.A. Supermarket	Spanish	2,885	42/0	Nationwide	Importer, Direct
CONSUM, S. COOP. Supermarket	Spanish	2,261	428/182	Nationwide	Importer, Direct
AHORRAMAS, S.A. - GRUPO Supermarket	Spanish	1,764	229/0	Madrid, Castilla La Mancha	Importer, Direct
MAKRO AUTOSERVICIO MAYORISTA, S.A. Wholesaler	German	1,579	N/A	Nationwide	Importer, Direct

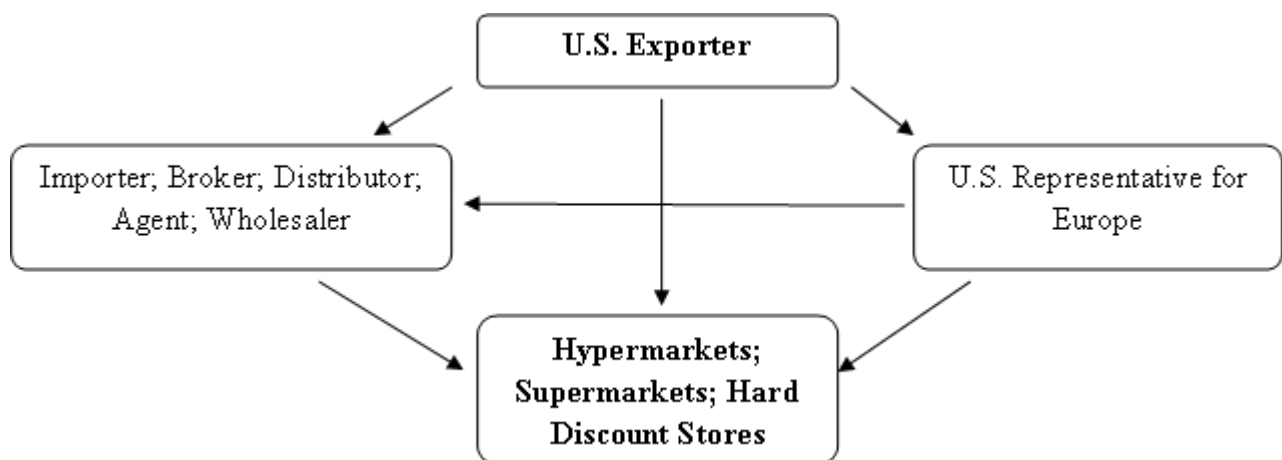
Source: Alimarket

Entry Strategy

Success in introducing products in the Spanish market normally requires local representation and personal contact. A local representative can provide up-to-date market intelligence, guidance on business practices and trade related laws, sales contact with existing and potential buyers, and market development expertise. The Office of Agricultural Affairs in Madrid maintains listings of potential importers and is developing sector-specific information to help you introduce your product in Spain.

A directory of European importers is available online at: <http://www.american-foods.org/index.php>
European importers of U.S. food and beverages are listed by product categories and company/country index.

Market Structure



In the supermarket sector, products are imported either by an importer, broker or agent, a wholesaler and/or distributor. Some products enter via other European Union ports either through a European importer or through the U.S. representative for Europe for that specific product.

Product representatives are better positioned to promote to retailers and consumers since retailers, as a general rule, do not promote specific products within their facilities. Retailers will, however, sell shelf-space, which is very expensive in the Spanish market. In order to cut costs, some retailers are importing directly from the supplier. In the case of retailers whose ownership is primarily foreign (foreign partnership), such as Carrefour (French), Auchan (French) and Lidl (German) many of the products, in particular specialty products for sale, are from their respective home country. It is important to note that Spanish distributors have nationwide distribution in Spain and, in most cases, in Portugal.

While hypermarkets and larger sized supermarkets control a large share of sales, small sized supermarkets are becoming ever more popular due to their proximity to the consumer (generally located within walking distance of residential and/or business areas).

Major discount chain stores have expanded considerably in Spain, with a steady flow of DIA and Lidl openings, particularly since the financial crisis started with more consumers more sensitive to price. These outlets are much smaller than hypermarkets and only sell food and cleaning products. This type of store provides little service to the consumer, which is reflected in the lower final product prices.

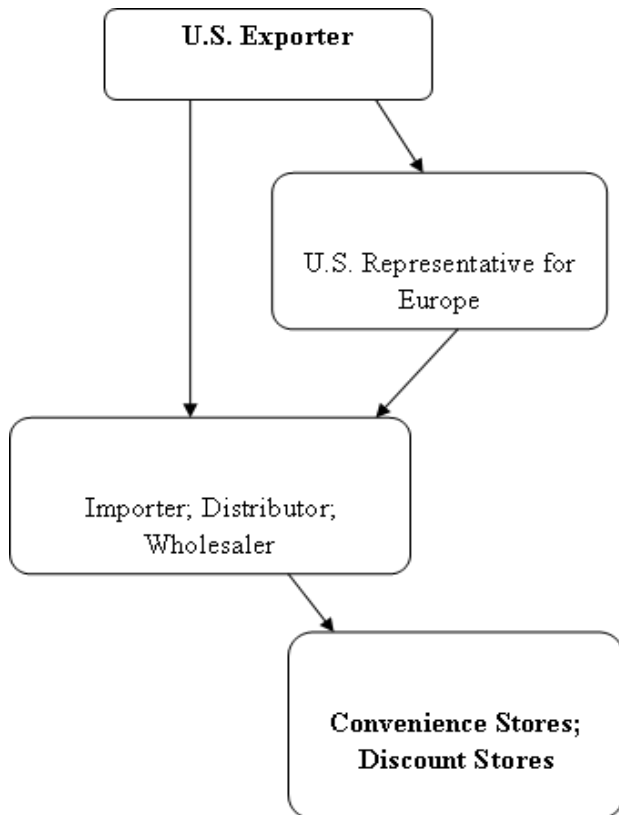
B. CONVENIENCE STORES, GAS MARTS, KIOSKS

Table 9. Convenience Stores – Company Profiles

Retail Organizations and Outlet Types	Ownership (Local or Foreign)	Sales 2012 \$ Million	Number of Own Outlets /Franchise	Location	Type of Purchasing Agent
DISA PENINSULA, S.L.U. Gas station	Spanish	461	226/100	Nationwide	Importer, Wholesaler
TIENDAS DE CONVENIENCIA, S.A (Opencor) Urban Convenience Store	Spanish	423	161/0	Nationwide	Importer, Wholesaler
REPSOL-CAMPSA Gas station	Spanish	333	947/2,506	Nationwide	Importer, Wholesaler
AREAS, S.A. Highways	Spanish	147	173/0	Nationwide	Importer, Wholesaler
CEPSA CONVENIENCIA, S.A. Gas station	Spanish	126	2/905	Nationwide	Importer, Wholesaler
BP OIL ESPANA, S.A. Gas station	UK	106	120/60	Nationwide	Importer, Wholesaler
GALP ENERGIA ESPANA, S.A. Gas station	Portuguese	106	625/1	Nationwide	Importer, Wholesaler
GESPEVESA Gas station	Spanish	73	37/0	Nationwide	Importer, Wholesaler
GRUPO VIPS – SIGLA, S.A. Urban Convenience Store	Spanish	51	291/10	Nationwide	Importer, Wholesaler
SERVICIOS INTEGRALES OPEN 25, S.L. Urban Convenience Store	Spanish	11	18/0	Nationwide	Importer, Wholesaler

Source: Alimarket

Market Structure



Convenience Stores

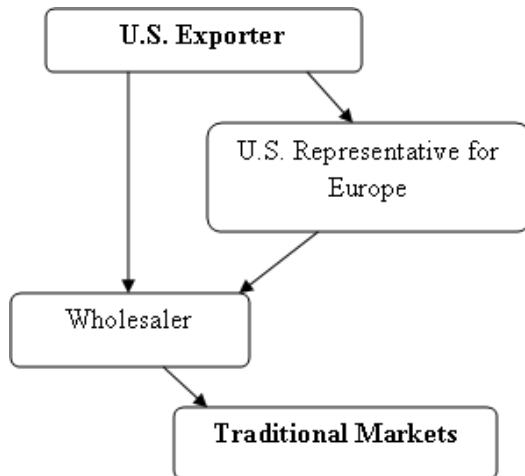
In Spain, convenience stores are usually associated with gas stations (90 percent of the total market share). However, “urban” convenience stores are popping up in Spain (10 percent of the total market share).

Convenience stores are very popular for last minute purchases. The sales through this kind of stores have largely benefited from the increasingly busy lifestyle. The advantages pointed out by convenience store consumers include their opening hours (open 24 hours). However, these stores are going through a rough time due to their high prices. Spanish consumers are more and more price sensitive and long hours are not a determining advantage any longer. With more unemployed people, the time constraints drop, and so convenient stores become less relevant. The convenience stores environment is expected to see a substantial slowdown in the coming years, likely until the economic indicators show recovery signs.

Convenience stores generally have insufficient storage space to import directly, so they almost always buy their products from importers, wholesaler and/or distributors.

C. TRADITIONAL MARKETS

Market Structure



Traditional corner grocery stores are composed of corner grocery stores, fresh and regional markets. Wholesalers are the main suppliers for traditional markets. In this sense, large wholesalers generally import directly but smaller wholesalers, whose main customer is the traditional market, do not import and buy the product through other local importers and/or larger wholesalers.

Usually, these types of stores are traditional family owned and located within residential and/or neighborhood areas. Although they are small in size, they usually carry a diversified range of food and cleaning products. Sanitary conditions are good and all of them have a small refrigeration area. Although their prices are usually higher than in any other type of outlet, they are quite popular for their high quality fresh produce and their proximity. Because these stores are part of the neighborhood, some of them deliver products ordered by telephone. Their main suppliers are the cash-and-carries, which are warehouse type supermarkets and/or small wholesalers who visit once a month to take inventory and restock.

Open-air markets are also very popular. They sell mostly fresh produce, fresh meats, cheeses, traditional products, tree nuts, edible dry beans, and are only open in the mornings. Their suppliers are the wholesale markets for fresh produce. Regional open-air markets are also very popular. They take place either once a week, once a month or, in some particular cases, once a year, and usually run on weekends. Because they are so popular and traditional, they are located in the vicinity of major cities and throughout rural areas.

Fresh produce and regional foods such as cheese, bread, cookies, etc. are the most common products marketed at these fairs. They also sell other products that can be found at a flea market.

Of additional interest are some "specialized food stores" – gourmet type stores - which are located in the major cities. These stores specialize in particular in high quality food products such as cheese, meats, diversified types of bread, wines, regional products, etc. These stores may be compared to Deli stores and sell not only local delicatessen food products but also import some of the products. These stores are usually expensive due to the diversity and type of products presented.

SECTION III. COMPETITION

Table 10. Competitive Situation Facing U.S. Suppliers from Domestically Produces Goods and Imported Goods			
Product Category (thousand metric tons; million USD)	Major Supply Sources in 2012 (in value)	Strengths of Key Supply Countries	Advantages and Disadvantages of Local Suppliers
Frozen Fish <i>Imports: 284</i> <i>Value: \$814</i>	1. Mexico - 8% 2. Portugal - 8% 3. Netherlands Antilles - 6% 12. USA - 3%	Other major suppliers offer high quality fish products at competitive prices.	Large competition from local suppliers and producers. Spanish domestic consumption and exports surpass local supply.
Almonds <i>Imports: 64</i> <i>Value: \$296</i>	1. USA - 91% 2. Australia - 3% 3. Germany - 1%	Competition from other supplying countries is limited, as Spanish demand for almonds is very high and production in other EU countries is not enough to satisfy demand.	Spain produces almonds, mostly used roasted as a snack, due to its organoleptic properties. U.S. almonds are used in the confection industry, mainly for Christmas traditional nougat.
Walnuts <i>Imports: 22</i> <i>Value: \$146</i>	1. USA - 59% 2. France - 19% 3. Chile - 8%	France is a traditional supplier of walnuts. Chile is increasing its presence in the Spanish market	Spain has a significant production of high quality walnuts.
Pistachios <i>Imports: 8</i> <i>Value: \$68</i>	1. USA - 31% 2. Germany - 29% 3. Iran - 17%	Germany is the main entry point for U.S. and Iranian pistachios to the EU. Pistachios are then re-exported to other member states.	Pistachio production in Spain is very limited.
Sunflower seeds <i>Imports: 476</i> <i>Value: \$361</i>	1. France - 43% 2. Portugal - 15% 3. Romania - 12% 5. USA - 7%	Growing competition from China, Argentina and Israel for confectionary. Possible implementation of lower cadmium levels.	Spain production of sunflower seeds for confectionary is not sufficient to meet demand.
Pulses <i>Imports: 371</i> <i>Value: \$282</i>	1. Argentina - 24% 2. Mexico - 17% 3. USA - 15% 4. Canada - 14%	Strong competition from Argentina, who largely increased their presence in recent years, and Canada, a traditional supplier to Spain.	Spain is a traditional consumer of pulses and its local production is not sufficient to fulfill internal demand. Imports continue to rise after significantly decreasing in 2009.

Source: www.gtis.com

SECTION IV. BEST PRODUCT PROSPECTS

Products Present In The Market That Have Good Sales Potential

- Tree nuts, particularly almonds, walnuts and pistachios
- Peanuts
- Pulses
- Sunflower seeds
- Fish and Seafood, fresh and frozen

Products Not Present In Significant Quantities But Which Have Good Sales Potential

- Functional and health food
- Free-from products (lactose-free, gluten-free)
- Food ingredients
- High value beef meat (only Non-Hormone Treated Cattle)
- Specialty foods, snack foods and sauces
- Beverages (wine and beer) and distilled spirits
- Organic Products
- Pet foods

Products Not Present Because They Face Significant Barriers

- Red meat and meat preparations (hormone ban)
- Poultry (sanitary procedures - chlorine wash)
- Processed food (with GMO ingredients)

SECTION V. POST CONTACT AND FURTHER INFORMATION

If you have any questions or comments regarding this report or need assistance exporting to Spain, please contact the Office of Agricultural Affairs in Madrid at the following address:

Foreign Agricultural Service
American Embassy, Madrid
C/ Serrano, 75
28006 Madrid
Spain
Tel.: +34-91 587 2555
Fax: +34-91 587 2556
Email: AgMadrid@fas.usda.gov
Web: <http://madrid.usembassy.gov/about-us/fas.html>

Please email the Office of Agricultural Affairs in Madrid for more information. Importer listings are available from the Agricultural Affairs Office for use by U.S. exporters of U.S. ingredients. Recent reports of interest to U.S. exporters interested in the Spanish market can be accessed through the [FAS website](#).

Additionally, a list of trade associations and useful government agencies is provided below:

Trade Associations:

FIAB- Federación de Industrias de Alimentación y Bebidas

(Spanish Federation of Food and Beverage Industries)

www.fiab.es

fiab@fiab.es

FEHR – Federación Española de Hostelería

(Spanish Federation for HRI Sector)

www.fehr.es

fehr@fehr.es

ASEDAS – Asociación Española de Distribuidores, Autoservicios y Supermercados

(Spanish Association for Distributors and Supermarkets)

www.asedas.es

direc.general@asedas.org

ANGED – Asociación Nacional de Grandes y Medianas Empresas de Distribución

(National Association of Midsize and Large Distributors)

www.anged.es

anged@anged.es

Government Agencies:

Subdirección General de Sanidad Exterior

Ministerio de Sanidad, Servicios Sociales e Igualdad

(Imported Foodstuffs, Contaminants and Compound Residues, Health Certification, Port Inspection and EU Alerts)

<http://www.msc.es/profesionales/saludPublica/sanidadExterior/home.htm>
saniext@msssi.es

Agencia Española de Seguridad Alimentaria y Nutrición (AESAN)

(Spanish Food Safety and Nutrition Agency)

<http://www.aesan.msssi.gob.es>
<http://www.aesan.msc.es/SIAC-WEB/contacto.do?reqCode=newSearch>

Dirección General de la Industria Alimentaria

Ministerio de Agricultura, Alimentación y Medio Ambiente

(Ministry of Agriculture, Food and Environmental Affairs)

<http://www.magrama.gob.es/es/alimentacion/temas/default.aspx>
informac@magrama.es

For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page at www.fas.usda.gov